

# Interim report

2020: Q1 January-March

BALCONIES  
FOR  
GREATER  
LIVING



## Strong revenue and profit growth

### The first quarter: January – March

- Net sales increased 19 percent to 321 MSEK (270).
- Order intake amounted to 341 MSEK (362).
- Order backlog increased 2 percent to 1,561 MSEK (1,529).
- Operating profit increased 27 percent to 34 MSEK (27).
- Net profit after tax increased 27 percent to 25 MSEK (20).
- Earnings per share increased 25 percent to 1.23 SEK (0.98) before and after dilution.
- Operating cash flow increased to 5 MSEK (-8).

### Events during the first quarter and after end of the quarter

- The Nomination Committee has proposed that Vibecke Hverven be elected as a new director in place of Åsa Söderström Winberg, who has declined re-election.
- The impact of Covid-19 on Balco has so far been limited. All production units are in full operation and the projects are running according to plan. However, orders received in the first and so far in the second quarter have been affected by postponed meetings.
- The Board of Directors of Balco Group AB (publ) has decided to withdraw the previously announced dividend proposal for the financial year 2019 but at the same time remains open to an extra general meeting in the autumn of 2020 for a new dividend decision.

| MSEK  | Jan-Mar |         | Apr-Mar | Jan-Dec |
|---|---------|---------|---------|---------|
|   | 2020    | 2019    | 2019/20 | 2019    |
| Net sales   | 321,2   | 269,9   | 1 271,9 | 1 220,6 |
| Order intake                                      | 340,6   | 361,8   | 1 327,8 | 1 349,1 |
| Order backlog                                     | 1 560,9 | 1 528,7 | 1 560,9 | 1 522,4 |
| Gross profit                                      | 80,4    | 64,6    | 315,8   | 300,0   |
| Gross margin %                                    | 25,0    | 23,9    | 24,8    | 24,6    |
| Operating profit                                  | 34,2    | 27,0    | 147,6   | 140,4   |
| Operating profit margin (EBIT-margin), %          | 10,7    | 10,0    | 11,6    | 11,5    |
| Adjusted operating profit (EBIT)                  | 34,2    | 27,0    | 147,6   | 140,4   |
| Adjusted operating profit margin (EBIT-margin), % | 10,7    | 10,0    | 11,6    | 11,5    |
| Net profit for the period                         | 25,2    | 19,8    | 108,1   | 102,8   |
| Operating cash flow                               | 4,8     | -7,7    | 146,4   | 133,9   |
| Earnings per common share, SEK, before dilution   | 1,23    | 0,98    | 5,05    | 4,81    |
| Earnings per common share, SEK, after dilution    | 1,23    | 0,98    | 5,04    | 4,80    |



## KENNETH LUNDAHL, PRESIDENT AND CEO

The impact of Covid-19 on Balco has so far been limited. Balco's management follows developments in the countries in which we operate day by day and does everything possible to fulfill the commitments we have towards our customers and to ensure both the health of our employees and our operations.

All production units are in full operation and the projects are proceeding according to plan. However, when measuring and mounting, we have been hit by some extra costs to try to limit the spread of infection. The entire operations organization and administration work as normal. We have been able to parry most of the politicians' decisions in the various countries so that we have continued to serve our customers. No short-term permits have been implemented and we have not applied for grants from Tillväxtverket. However, sales and marketing have been affected by postponed fairs and meetings, as well as some difficulties in obtaining the desired meetings.

We have had some delay in order entry during Q1 with restrictions on meeting sizes in different countries. We have introduced a number of measures regarding visiting opportunities and we have now also been able to have meetings outdoors with better weather. Creativity is great for making our customers happy. However, we will have a delay of certain meetings also during Q2 which will affect our order intake somewhat. However, we estimate that our order backlog will be over SEK 1.5 billion even after Q2.

Net sales in the quarter increased by 19 percent to 321 MSEK and operating profit improved by 27 percent to 34 MSEK with an operating margin of 10.7 percent. Our order intake was 341 MSEK and the order backlog grew by just over 20 MSEK, to 1.56 billion SEK.

The Renovation segment's net sales increased by 25 percent to 281 MSEK and profitability within the segment remains

good. The New Build segment had net sales of 40 MSEK with stable profitability.

We received another order in the Maritime area during the quarter of approximately 70 MSEK, which shows that we have established ourselves well in this area.

Our sustainability work is a high priority and to further strengthen our focus, Johan Fälth has been appointed sustainability manager for the Group. We have set new sustainability goals, which mean that we will reduce our negative climate footprint per balcony by 20 percent by the end of 2021 and at the same time become carbon dioxide positive 5-10 years faster than today, when we are carbon dioxide positive after 30-50 years.

Balco's products have a service life of over 90 years and require only two minor service occasions where wear parts are replaced during this time period. The energy saving from a glazed balcony according to the Balco method is 15 to 30 percent. This is documented by external parties. Compared to traditional concrete renovation, the Balco method and Balco's products are not only the best solution from an economic point of view and from the quality of life of the residents, but also the most climate-smart solution.

The possibility of being able to offer 70 years of amortization time when installing Balco's glazed balconies to Swedish tenant-owner associations is of great interest. Longer repayment periods lead to lower monthly costs per balcony, which in turn makes our offer more attractive.

We are the market leader in the niche market for balcony renovation where the need and growth potential is great. Our strategy is to invest for further growth in the renovation segment.

Despite the difficult time we live in with the Corona spread, the future looks positive for us, with a large order book, strong financial position and exciting development and acquisition opportunities.



“ Strong sales and profit growth as well as increased order backlog despite delays in certain fairs and meetings, and extra costs linked to Covid-19.



Kenneth Lundahl, President and CEO

Växjö 14 May 2020

Kenneth Lundahl, President and CEO  
Balco Group AB

# THE GROUP'S DEVELOPMENT

## First quarter: January - March

Net sales increased by 19 percent to 321 MSEK (270). Revenue for the Renovation segment increased for 281 MSEK (225), while the New Build segment accounted for 40 MSEK (45). Balco's sales development is largely influenced by the time when building permits are obtained, which means that sales between quarters vary.

The order intake in the quarter was 6 percent higher than the net sales and amounted to 341 MSEK (362). The Renovation segment accounted for 266 MSEK (328) of the order intake for the quarter, while the New Build segment increased to 75 MSEK (34).

The order backlog increased by 2 percent to 1,561 MSEK (1,529). The order backlog for the Renovation segment amounted to 1,341 MSEK (1,386), while the order backlog for the New Build segment increased to 220 MSEK (143).

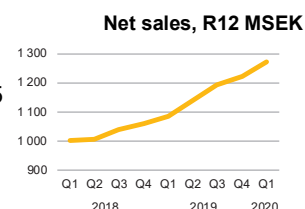
Gross profit improved to 80 MSEK (65), entailing a gross margin of 25,0 percent (23,9). The improvement of the gross margin comes mainly from better scale in production and operations that provides improved efficiency.

Sales costs amounted to 30 MSEK (23) and administrative costs to 16 MSEK (15). The cost increase is explained by increased market initiatives with a strengthened sales organization. Total operating costs amounted to 46 MSEK (38), corresponding to 14 percent (14) of net sales.

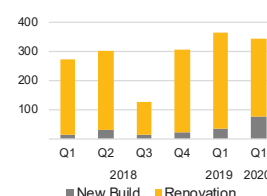
Operating profit improved by 27 percent to 34 MSEK (27), corresponding to an operating margin of 10,7 percent (10,0). The improvement in profit is explained by increased net sales and improved gross margin.

Net financial items amounted to -2 MSEK (-2). Profit after tax improved by 27 percent to 25 MSEK (20). Earnings per share increased by 25 percent to 1.23 SEK (0.98) before and after dilution.

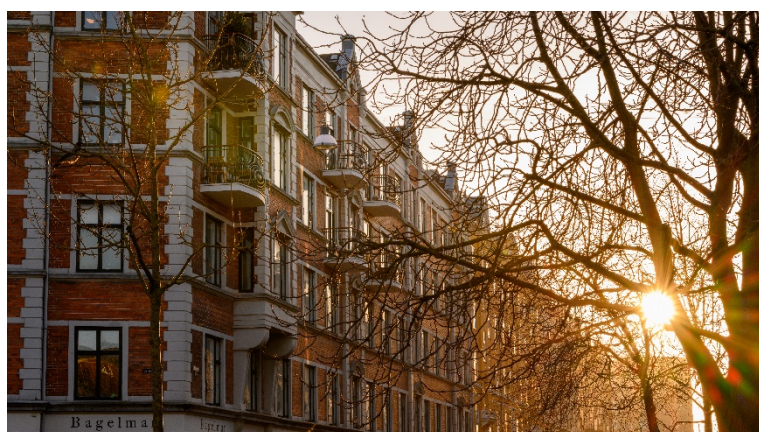
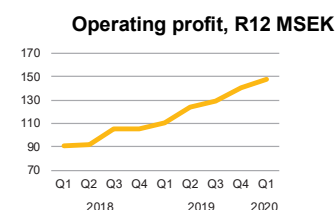
Operating cash flow improved to 5 MSEK (-8), where the increase is due to improved operating profit and less increase of working capital than last year. The capital tied up between the quarters is dependent on the different phases of the projects.



Order intake per segment, MSEK



Order backlog, MSEK



## DEVELOPMENT PER SEGMENT

|                        | Jan-Mar      |              | Apr-Mar        | Jan-Dec        |
|------------------------|--------------|--------------|----------------|----------------|
| Net sales, MSEK        | 2020         | 2019         | 2019/20        | 2019           |
| Renovation             | 281,6        | 224,7        | 1 101,3        | 1 044,4        |
| New Build              | 39,6         | 45,2         | 170,6          | 176,2          |
| Group other            | 5,6          | 3,9          | 17,7           | 16,1           |
| Elimination            | -5,6         | -3,9         | -17,7          | -16,1          |
| <b>Total Net Sales</b> | <b>321,2</b> | <b>269,9</b> | <b>1 271,9</b> | <b>1 220,6</b> |

|                        | Jan-Mar     |             | Apr-Mar      | Jan-Dec      |
|------------------------|-------------|-------------|--------------|--------------|
| Operating profit, MSEK | 2020        | 2019        | 2019/20      | 2019         |
| Renovation             | 31,7        | 24,5        | 141,8        | 134,6        |
| New Build              | 2,9         | 3,4         | 11,1         | 11,5         |
| Group other            | -0,4        | -0,8        | -5,3         | -5,7         |
| Elimination            | -           | -           | -            | -            |
| <b>Total EBIT</b>      | <b>34,2</b> | <b>27,0</b> | <b>147,6</b> | <b>140,4</b> |

|                | Jan-Mar |      | Apr-Mar | Jan-Dec |
|----------------|---------|------|---------|---------|
| EBIT margin, % | 2020    | 2019 | 2019/20 | 2019    |
| Renovation     | 11,3    | 10,9 | 12,9    | 12,9    |
| New Build      | 7,4     | 7,5  | 6,5     | 6,5     |
| Group other    | n/a     | n/a  | n/a     | n/a     |

### Renovation

Net sales grew by 25 percent in the quarter to 281 MSEK (225). The segment accounted for 88 percent of Balco's total sales in the quarter.

Order intake amounted to 266 MSEK (328), which corresponds to 78 percent of the total order intake in the quarter.

The order backlog amounted to 1,341 MSEK (1,386), which corresponds to 86 percent of the total order backlog.

Operating profit in the quarter increased to 32 MSEK (24), corresponding to an operating margin of 11.3 percent (10.9).

Share, renovation  
Q1 2020

**88%**

### New build

Net sales in the quarter amounted to 40 MSEK (45). The segment accounted for 12 percent of Balco's total sales in the quarter.

Order intake in the quarter increased to 75 MSEK (34), corresponding to 22 percent of total order intake, where a new order within Maritime accounts for the majority.

The order backlog increased to 220 MSEK (143), which corresponds to 14 percent of the total order backlog

Operating profit for the quarter amounted to 3 MSEK (3), corresponding to an operating margin of 7.4 percent (7.5).

Share, new build  
Q1 2020

**12%**

### Net sales per customer category, MSEK

|  | Jan-Mar      |              | Apr-Mar        | Jan-Dec        |
|--|--------------|--------------|----------------|----------------|
|  | 2020         | 2019         | 2019/20        | 2019           |
| Tenant-owner associations                | 246,1        | 179,6        | 918,1          | 851,6          |
| Private landlords                        | 27,0         | 26,3         | 168,9          | 168,2          |
| Publicly owned companies                 | 12,0         | 18,0         | 53,5           | 59,5           |
| Construction and manufacturing companies | 36,1         | 45,9         | 131,4          | 141,3          |
| <b>Total Net sales</b>                   | <b>321,2</b> | <b>269,9</b> | <b>1 271,9</b> | <b>1 220,6</b> |



# OPERATIONS AND SEGMENT DESCRIPTION

## Operations

Balco's core expertise is in delivering glazed balconies and balcony solutions under its own brand, primarily to the renovation market and tenant-owner associations. Several advantages are achieved by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method, which involves demolition and rebuilding of the entire balcony, contributes for example to lower energy costs, an enhanced quality of life and an increase in the value of the property. Balco is unique with processes that involve the Company assuming full responsibility and assisting the customer throughout the decision-making and building process, from visualisation and viewing to project planning, production and installation, with subsequent final inspection. Balco is a turnkey balcony supplier offering customised, high-quality balcony solutions irrespective of size and complexity, with short delivery times. Balco's offering is focused on tenant-owner associations, private landlords, municipal housing companies and construction companies in, primarily, Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is the market leader in Scandinavia within the attractive niche market for balconies. On other markets, Balco enjoys a strong challenger position. TBO-Haglinds acquired in December 2018 is an independent company which is active in the renovation segment in Sweden.

## Renovation



Project Storden Stavanger, Norway

Within renovation, Balco provides solutions for replacing and expanding existing balconies and the installation of new balconies on apartment buildings without balconies. Most of Balco's sales within the area comprise glazed balconies for tenant-owner associations. Sweden is the Company's largest market within renovation and the main drivers on the market are the pent-up need for renovation and the prevailing age profile of the property portfolio.

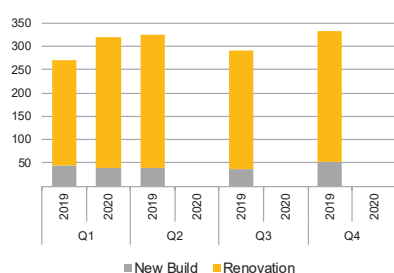
## New build



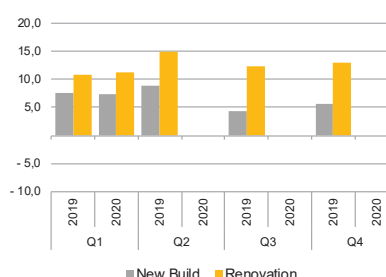
Project luxury cruise ship, Papenburg, Germany

Within new build, Balco performs installation of balconies in conjunction with the construction of new apartment buildings as well as balcony solutions within maritime applications (shipbuilding industry). The largest product areas comprise balcony glazing solutions and open balconies. Balco is acting selectively in the segment, based on a focus on profitability and low risk. Demand is driven by the rate of production of new housing and growth within the maritime segment.

## Sales growth per quarter, MSEK



## Operating margin per quarter, %



# FINANCIAL POSITION AND CASH FLOW

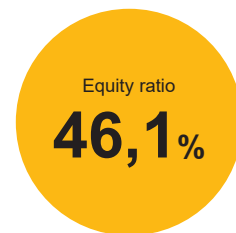
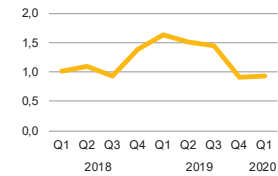
## Liquidity and financial position

The Group's interest-bearing net debt at the end of the quarter amounted to 172 MSEK (244). Interest-bearing net debt in relation to adjusted EBITDA amounted to 0.9 times (1.6), which is within the framework of the Group's debt target (not more than 2.5 times). Interest-bearing net debt, excluding leasing liability, in relation to adjusted EBITDA amounted to 0.6 times (1.2).

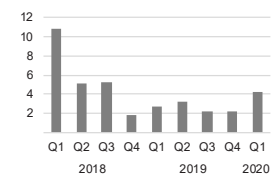
At the end of the quarter the Group's equity amounted to 541 MSEK (463). The Group's equity ratio was 46.1 percent (43.4).

| MSEK  | 31-mar<br>2020 | 31-mar<br>2019 | 31-dec<br>2019 |
|---|----------------|----------------|----------------|
| External non-current interest-bearing liabilities excl leasing                    | 205,1          | 224,9          | 215,2          |
| Finanial leasing non-current liabilities  | 34,5           | 44,7           | 35,1           |
| Current interest-bearing liabilities  | 10,4           | 0,7            | 10,4           |
| Finanial leasing current liabilities  | 17,9           | 20,7           | 20,7           |
| Cash and cash equivalents   | -96,1          | -47,0          | -119,4         |
| <b>Interest-bearing net debt</b>  | <b>171,8</b>   | <b>244,1</b>   | <b>161,9</b>   |
| <i>Interest-bearing net debt excl leasing</i>                                     | <i>119,4</i>   | <i>178,7</i>   | <i>106,2</i>   |
| External interest-bearing net debt/EBITDA (12 months), times                      | 0,9 x          | 1,6 x          | 0,9 x          |
| <i>External interest-bearing net debt excl. leasing/EBITDA (12 months), times</i> | <i>0,6 x</i>   | <i>1,2 x</i>   | <i>0,6 x</i>   |
| Equity/assets ratio, %  | 46,1           | 43,4           | 46,5           |

External interest-bearing net debt relative to EBITDA



Investments in MSEK per quarter



## Cash flow, investments and amortisation/depreciation

For the quarter, cash flow from operating activities amounted to -18 MSEK (-29), where the improvement comes from improved operating profit and better development of working capital. The capital tied up between the quarters depends on the different phases of the projects.

Cash flow from investing activities during the quarter amounted to -4 MSEK (-3), of which -4 MSEK (-2) was replacement investments and 0 MSEK (-1) expansion investments. Cash flow from financing activities amounted to -1 MSEK (-8). Cash flow for the quarter amounted to -23 MSEK (-40).

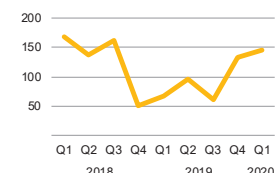
Depreciation for the quarter amounted to SEK 9 M (8).

## The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks.

The result for the full year amounted to 0 MSEK (-1).

Cash flow R12, MSEK



## OTHER INFORMATION

### Employees

At the end of March 2020 Balco had 428 (412) full-time employees. The increase in personnel is mainly attributable to strengthened sales organization in several markets.

### Seasonal variations

Balco's sales and earnings are partially affected by the date when orders are placed, seasonal variations and the fact that the annual general meetings of tenant-owner associations normally take place in the second and fourth quarter. In addition, the Group is positively affected by months with a large number of work days and lack of absences, and somewhat negatively affected by weather factors, when winters with significant volumes of snow entail increased costs. The Group's strongest quarters are normally the second quarter.

### Shares, share capital and shareholders

At the end of March 2020, there were 21,623,311 shares in Balco, corresponding to a share capital of 129,745,274 SEK. At the end of March 2020, there were 5,817 shareholders. The five largest shareholders were The Family Hamrin, Skandrenting AB, Swedbank Robur fonder, Lannebo Fonder and Segulah.

### Related-party transactions

Related parties comprise the Board of Directors, Group management and the CEO. This is due to ownership stakes in Balco and positions as senior executives. Related parties also include the Company's largest shareholder, The Family Hamrin which is represented on the Board of Directors by Carl-Mikael Lindholm and Skandrenting which is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see pages 47 and 98 in the 2019 annual report.

### Incentive program

Balco Group AB has a long-term incentive program aimed at the Company's senior executives and additional key employees, in total 39 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial goals. For further information, see pages 47, 52, 59 and 87 in the 2019 annual report.

### Annual General Meeting 2020

Balco's Annual General Meeting 2020 is postponed according to press release March 25, 2020 and will be held on May 14, 2020 at 15:00 at KÖK11, Honnörsgatan 15 in Växjö. Registration starts at 14:30.

### Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-

related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 54-57, 64 and 80-82 in the 2019 annual report.

### Outlook

Balco is one of a small number of complete balcony suppliers on the market providing customised, innovative balcony solutions on a turnkey basis. Balco is the market leader in Scandinavia and enjoys a strong challenger position on other markets where the Group operates.

Large order backlog and strong financial position provide good opportunities for continued profitable growth during 2020.

Sales are affected by the time when building permission is granted. The market is fragmented and growing throughout northern Europe. The value of the balcony market in those countries in which Balco is represented is estimated at more than 30 billion SEK and it is expected to grow by approximately 3 percent annually in the coming years.

The Group's long-term goals are set out on the following page.

### Events during the quarter and since the end of the quarter

The Nomination Committee has proposed that Vibecke Hverven be elected as a new director in place of Åsa Söderström Winberg, who has declined re-election.

The Board of Directors of Balco Group AB (publ) has decided to withdraw the previously announced dividend proposal for the 2019 financial year, due to the great uncertainty prevailing in the external environment due to the effects of the spread of the transmission of Covid-19, but at the same time remains open to an extra general meeting in the autumn of 2020 for a new dividend decision.

The impact of Covid-19 on Balco has so far been limited. All production units are in full operation and the projects are running according to plan. However, orders received in the first and so far in the second quarter have been affected by postponed meetings.

# FINANCIAL GOALS

## Revenue growth

Balco shall achieve growth of 10 percent per year.

## Profitability

Balco shall achieve an operating profit margin (EBIT) of at least 13 percent.

## Capital structure

Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.

## Dividend policy

Balco shall distribute at least one-half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

The interim report has not been subject to a review of ISRE 2410 by the company's auditors.

**Växjö, 14 May 2020**

**Kenneth Lundahl**

*President and CEO*

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 14 May 2020 at 07:30 CET.

## Telephone conference

An online telephone conference will be held on 14 May at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

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## For more information, please contact:

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Tel: +46 70 670 18 48

## Calendar 2020

|                                    |                  |
|------------------------------------|------------------|
| <b>Annual General Meeting 2020</b> | 17 June 2020     |
| <b>Interim report Jan-Jun 2020</b> | 27 August 2020   |
| <b>Interim report Jan-Sep 2020</b> | 12 November 2020 |
| <b>Interim report Jan-Dec 2020</b> | 18 February 2021 |



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MSEK   | Note | Jan-Mar<br>2020 | 2019         | Apr-Mar<br>2019/20 | Jan-Dec<br>2019 |
|--|------|-----------------|--------------|--------------------|-----------------|
| <b>Net sales</b>   |      | 321,2           | 269,9        | 1 271,9            | 1 220,6         |
| Production and project costs                                   |      | -240,7          | -205,3       | -956,1             | -920,6          |
| <b>Gross profit</b>  |      | <b>80,4</b>     | <b>64,6</b>  | <b>315,8</b>       | <b>300,0</b>    |
| Sales costs  |      | -30,3           | -22,5        | -102,0             | -94,2           |
| Administration costs   |      | -15,9           | -15,4        | -66,6              | -66,1           |
| Other operating income   |      | -               | 0,8          | 0,8                | 1,6             |
| Other operating expenses                                       |      | -               | -0,4         | -0,5               | -0,9            |
| <b>Operating costs</b>   |      | <b>-46,2</b>    | <b>-37,6</b> | <b>-168,3</b>      | <b>-159,6</b>   |
| <b>Operating profit</b>  |      | <b>34,2</b>     | <b>27,0</b>  | <b>147,6</b>       | <b>140,4</b>    |
| Finance income   |      | 0,1             | 0,1          | 0,8                | 0,8             |
| Finance costs  |      | -2,3            | -1,9         | -9,9               | -9,5            |
| <b>Profit before tax</b>                                       |      | <b>32,0</b>     | <b>25,2</b>  | <b>138,5</b>       | <b>131,7</b>    |
| Income tax   |      | -6,9            | -5,3         | -30,4              | -28,8           |
| <b>Net profit for the period</b>                               |      | <b>25,2</b>     | <b>19,8</b>  | <b>108,1</b>       | <b>102,8</b>    |
| <b>Other comprehensive income</b>                              |      |                 |              |                    |                 |
| <b>Items that have been/can be reclassified to profit/loss</b> |      |                 |              |                    |                 |
| Exchange rate differences on translation of foreign operation  |      | 1,4             | 1,2          | 0,3                | 0,2             |
| <b>Comprehensive income for the period</b>                     |      | <b>26,5</b>     | <b>21,1</b>  | <b>108,5</b>       | <b>103,0</b>    |
| <b>Of which attributable to:</b>                               |      |                 |              |                    |                 |
| Owners of the parent company                                   |      | 26,5            | 21,1         | 108,5              | 103,0           |
| Earnings per common share, SEK, before dilution                | 4    | 1,23            | 0,98         | 5,04               | 4,81            |
| Earnings per common share, SEK, after dilution                 | 4    | 1,23            | 0,98         | 5,04               | 4,76            |
| Average number of common shares, thousands                     |      | 21 623,3        | 21 428,8     | 21 509,8           | 21 461,2        |

# CONSOLIDATED BALANCE SHEET IN SUMMARY

| MSEK   | 31-mar<br>2020 | 31-mar<br>2019 | 31-dec<br>2019 |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>                                  |                |                |                |
| Goodwill   | 401,5          | 401,2          | 401,2          |
| Other intangible assets                                    | 52,4           | 53,0           | 52,9           |
| Concessions  | 49,2           | 61,3           | 54,1           |
| Property, plant and equipment                              | 136,3          | 140,2          | 134,1          |
| Financial assets   | 3,1            | 4,3            | 3,1            |
| Deferred tax assets  | 2,1            | 2,4            | 1,8            |
| <b>Total non-current assets</b>                            | <b>644,6</b>   | <b>662,5</b>   | <b>647,1</b>   |
| <b>Current assets</b>                                      |                |                |                |
| Inventory  | 30,7           | 26,7           | 26,0           |
| Trade receivables  | 199,6          | 165,1          | 135,5          |
| Contract assets  | 175,8          | 145,0          | 149,2          |
| Current tax receivables                                    | 0,8            | 2,7            | 3,8            |
| Other current receivables                                  | 27,0           | 17,9           | 24,7           |
| Cash and cash equivalents                                  | 96,1           | 47,0           | 119,4          |
| <b>Total current assets</b>                                | <b>529,9</b>   | <b>404,5</b>   | <b>458,8</b>   |
| <b>TOTAL ASSETS</b>  | <b>1 174,5</b> | <b>1 067,0</b> | <b>1 105,9</b> |
| <b>EQUITY AND LIABILITIES</b>                              |                |                |                |
| <b>Equity</b>  |                |                |                |
| Share capital  | 129,7          | 128,6          | 129,7          |
| Additional paid-in capital                                 | 393,5          | 381,8          | 393,5          |
| Retained earnings, incl. profit for year                   | 17,9           | -47,7          | -8,7           |
| <b>Equity attributable to owners of the parent company</b> | <b>541,1</b>   | <b>462,6</b>   | <b>514,5</b>   |
| <b>Non-current liabilities</b>                             |                |                |                |
| Deferred tax liabilities                                   | 33,4           | 27,7           | 33,6           |
| Interest-bearing liabilities to banks                      | 205,1          | 224,9          | 215,2          |
| Financial lease non-current liabilities                    | 34,5           | 44,7           | 35,1           |
| Other non-current liabilities                              | 27,7           | 19,2           | 19,4           |
| <b>Total non-current liabilities</b>                       | <b>300,7</b>   | <b>316,5</b>   | <b>303,3</b>   |
| <b>Current liabilities</b>                                 |                |                |                |
| Interest-bearing liabilities to banks                      | 10,4           | 0,7            | 10,4           |
| Financial lease current liabilities                        | 17,9           | 20,7           | 20,7           |
| Contract liabilities                                       | 49,5           | 52,1           | 41,4           |
| Trade payables   | 154,0          | 116,0          | 122,6          |
| Current tax liabilities                                    | -              | 9,3            | 15,5           |
| Other liabilities  | 38,8           | 32,4           | 23,1           |
| Other accrued expenses and prepaid income                  | 62,1           | 56,5           | 54,3           |
| <b>Total current liabilities</b>                           | <b>332,7</b>   | <b>287,8</b>   | <b>288,0</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        | <b>1 174,5</b> | <b>1 067,0</b> | <b>1 105,9</b> |

## CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

| MSEK   | Share<br>Capital | Additional<br>paid-in<br>capital | Reserves   | Retained<br>earnings | Total equity |
|--|------------------|----------------------------------|------------|----------------------|--------------|
| <b>Opening balance 1 Jan 2019</b>                                      | <b>128,6</b>     | <b>381,8</b>                     | <b>5,0</b> | <b>-74,8</b>         | <b>440,5</b> |
| Impact from implementation of IFRS 16                                  | -                | -                                | -          | 1,0                  | 1,0          |
| <b>Comprehensive income for the period</b>                             |                  |                                  |            |                      |              |
| Profit for the period  | -                | -                                | -          | 19,8                 | 19,8         |
| Other comprehensive income for the period                              | -                | -                                | 1,2        | -                    | 1,2          |
| <b>Total comprehensive income for the period</b>                       | <b>-</b>         | <b>-</b>                         | <b>1,2</b> | <b>19,8</b>          | <b>21,1</b>  |
| <b>Transactions with shareholders in their status as Company owner</b> |                  |                                  |            |                      |              |
| Distributed dividend   | -                | -                                | -          | -                    | -            |
| <b>Total transactions with Company owners</b>                          |                  |                                  |            |                      |              |
| <b>Closing balance 31 Mar 2019</b>                                     | <b>128,6</b>     | <b>381,8</b>                     | <b>6,2</b> | <b>-53,9</b>         | <b>462,6</b> |
| <b>Opening balance 1 Jan 2020</b>                                      | <b>129,7</b>     | <b>393,5</b>                     | <b>5,1</b> | <b>-13,8</b>         | <b>514,5</b> |
| <b>Comprehensive income for the period</b>                             |                  |                                  |            |                      |              |
| Profit for the period  | -                | -                                | -          | 25,2                 | 25,2         |
| Other comprehensive income for the period                              | -                | -                                | 1,4        | -                    | 1,4          |
| <b>Total comprehensive income for the period</b>                       | <b>-</b>         | <b>-</b>                         | <b>1,4</b> | <b>25,2</b>          | <b>26,5</b>  |
| <b>Transactions with shareholders in their status as Company owner</b> |                  |                                  |            |                      |              |
| Distributed dividend   | -                | -                                | -          | -                    | -            |
| <b>Total transactions with Company owners</b>                          | <b>-</b>         | <b>-</b>                         | <b>-</b>   | <b>-</b>             | <b>-</b>     |
| <b>Closing balance 31 Mar 2020</b>                                     | <b>129,7</b>     | <b>393,5</b>                     | <b>6,5</b> | <b>11,4</b>          | <b>541,1</b> |

## CASH FLOW STATEMENT IN SUMMARY

| MSEK   | Jan-Mar<br>2020 | 2019         | Apr-Mar<br>2019/20 | Jan-Dec<br>2019 |
|--|-----------------|--------------|--------------------|-----------------|
| <b>Operating activities</b>  |                 |              |                    |                 |
| Operating profit (EBIT)  | 34,2            | 27,0         | 147,6              | 140,4           |
| Adjustment for non-cash items  | 3,6             | 8,5          | 32,0               | 36,9            |
| Interest received  | 0,1             | 0,1          | 0,8                | 0,8             |
| Interest paid  | -2,1            | -1,9         | -8,8               | -8,6            |
| Income tax paid  | -19,6           | -22,0        | -32,1              | -34,5           |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>16,1</b>     | <b>11,7</b>  | <b>139,5</b>       | <b>135,1</b>    |
| <b>Changes in working capital</b>  |                 |              |                    |                 |
| Increase (-)/Decrease (+) in inventories                                     | -4,6            | -0,3         | -3,9               | 0,4             |
| Increase (-)/Decrease (+) in operating receivables                           | -90,7           | -27,7        | -72,0              | -9,0            |
| Increase (+)/Decrease (-) in operating liabilities                           | 61,3            | -12,8        | 44,8               | -29,4           |
| <b>Cash flow from operating activities</b>                                   | <b>-17,8</b>    | <b>-29,2</b> | <b>108,4</b>       | <b>97,1</b>     |
| <b>Investing activities</b>  |                 |              |                    |                 |
| Purchase/sale of intangible assets   | -0,1            | -0,2         | -2,0               | -2,1            |
| Purchase/sale of property, plant and equipment                               | -4,1            | -2,5         | -9,7               | -8,2            |
| Change in other financial assets   | -               | -            | -0,6               | -0,6            |
| <b>Cash flow from investing activities</b>                                   | <b>-4,2</b>     | <b>-2,7</b>  | <b>-12,3</b>       | <b>-10,9</b>    |
| <b>Financing activities</b>  |                 |              |                    |                 |
| Changes in bank loans  | -6,2            | 8,8          | -15,9              | -0,9            |
| Changes in financial leasing   | 4,6             | -17,9        | -0,6               | -23,1           |
| Changes in other non-current liabilities                                     | 0,7             | 1,0          | 0,3                | 0,6             |
| Warrants   | -               | -            | 11,4               | 11,4            |
| Rights issue   | -               | -            | 1,2                | 1,2             |
| Distributed dividend   | -               | -            | -42,9              | -42,9           |
| <b>Cash flow from financing activities</b>                                   | <b>-0,9</b>     | <b>-8,1</b>  | <b>-46,5</b>       | <b>-53,7</b>    |
| <b>Cash flow for the period</b>  | <b>-22,9</b>    | <b>-40,0</b> | <b>49,6</b>        | <b>32,5</b>     |
| Cash and cash equivalents at beginning of the period                         | 119,4           | 87,0         | 47,0               | 87,0            |
| Exchange rate differential cash and cash equivalents                         | -0,4            | -0,1         | -0,5               | -0,2            |
| <b>Cash and cash equivalents at end of the period</b>                        | <b>96,1</b>     | <b>47,0</b>  | <b>96,1</b>        | <b>119,4</b>    |



## KEY RATIOS

| MSEK  | Jan-Mar  |          | Apr-Mar  | Jan-Dec  |
|---|----------|----------|----------|----------|
|   | 2020     | 2019     | 2019/20  | 2019     |
| Net sales   | 321,2    | 269,9    | 1 271,9  | 1 220,6  |
| Order intake  | 340,6    | 361,8    | 1 327,8  | 1 349,1  |
| Order backlog   | 1 560,9  | 1 528,7  | 1 560,9  | 1 522,4  |
| Gross profit  | 80,4     | 64,6     | 315,8    | 300,0    |
| EBITDA  | 43,6     | 35,5     | 185,0    | 176,9    |
| Adjusted EBITDA   | 43,6     | 35,5     | 185,0    | 176,9    |
| Operating profit (EBIT)   | 34,2     | 27,0     | 147,6    | 140,4    |
| Adjusted operating profit   | 34,2     | 27,0     | 147,6    | 140,4    |
| Gross profit margin, %  | 25,0     | 23,9     | 24,8     | 24,6     |
| EBITDA margin, %  | 13,6     | 13,2     | 14,5     | 14,5     |
| Adjusted EBITDA margin, %   | 13,6     | 13,2     | 14,5     | 14,5     |
| Operating profit margin (EBIT), %                                   | 10,7     | 10,0     | 11,6     | 11,5     |
| Adjusted operating profit margin (EBIT), %                          | 10,7     | 10,0     | 11,6     | 11,5     |
| Operating cash flow   | 4,8      | -7,7     | 146,4    | 133,9    |
| Operating cash conversion, %  | 11,1     | -21,7    | 79,2     | 75,7     |
| Capital employed, average   | 694,7    | 670,9    | 709,8    | 621,2    |
| Capital employed, excl. goodwill, average                           | 293,3    | 269,8    | 308,5    | 234,4    |
| Equity, average   | 527,8    | 451,6    | 501,9    | 432,3    |
| External interest-bearing net debt                                  | 171,8    | 244,1    | 171,8    | 161,9    |
| External interest-bearing net debt/Adjusted EBITDA 12 months, times | 0,9      | 1,6      | 0,9      | 0,9      |
| Return on capital employed, %, (12 months)                          | 21,2     | 18,7     | 20,8     | 20,2     |
| Return on capital employed, excl. goodwill, %, (12 months)          | 50,3     | 46,4     | 47,8     | 53,4     |
| Return on invested capital, %, (12 months)                          | 20,5     | 17,9     | 21,5     | 18,7     |
| Equity/assets ratio, %  | 46,1     | 43,4     | 44,8     | 44,4     |
| Number of full-time employees on the closing date                   | 428      | 412      | 428      | 419      |
| Average number of common shares for the period, 000s                | 21 623,3 | 21 428,8 | 21 509,8 | 21 461,2 |
| Equity per common share, SEK  | 24,41    | 21,07    | 23,33    | 20,14    |

## PARENT COMPANY, INCOME STATEMENT IN SUMMARY

| MSEK                                     | Jan-Mar<br>2020 | 2019        | Apr-Mar<br>2019/20 | Jan-Dec<br>2019 |
|--|-----------------|-------------|--------------------|-----------------|
| Net sales                                | 5,0             | 3,7         | 16,1               | 14,8            |
| Operating expenses                       | -4,7            | -4,0        | -18,2              | -17,5           |
| <b>Operating profit</b>                  | <b>0,3</b>      | <b>-0,3</b> | <b>-2,1</b>        | <b>-2,7</b>     |
| Interest income                          | 0,2             | 0,2         | 1,3                | 1,3             |
| Interest expenses                        | -1,0            | -0,8        | -3,5               | -3,3            |
| <b>Profit/loss after financial items</b> | <b>-0,5</b>     | <b>-0,9</b> | <b>-4,3</b>        | <b>-4,7</b>     |
| Tax                                      | 0,1             | 0,2         | -1,0               | -0,9            |
| <b>Net profit/loss for the period</b>    | <b>-0,4</b>     | <b>-0,7</b> | <b>3,7</b>         | <b>3,4</b>      |

In the Parent Company there are no items that are reported as other comprehensive income, so total comprehensive income is consistent with the profit for the period.

## PARENT COMPANY, BALANCE SHEET IN SUMMARY

| MSEK                                | 31-mar<br>2020 | 31-mar<br>2019 | 31-dec<br>2019 |
|-------------------------------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |                |
| <b>Non-current assets</b>           |                |                |                |
| Financial assets                    | 389,7          | 389,8          | 389,7          |
| <b>Total non-current assets</b>     | <b>389,7</b>   | <b>389,8</b>   | <b>389,7</b>   |
| <b>Current assets</b>               |                |                |                |
| Current receivables                 | 17,6           | 81,3           | 14,9           |
| Cash and cash equivalents           | 93,5           | 18,4           | 117,7          |
| <b>Total current assets</b>         | <b>111,0</b>   | <b>99,7</b>    | <b>132,5</b>   |
| <b>TOTAL ASSETS</b>                 | <b>500,7</b>   | <b>489,5</b>   | <b>522,2</b>   |
| <b>EQUITY AND LIABILITIES</b>       |                |                |                |
| Equity                              |                |                |                |
| Restricted equity                   | 129,7          | 128,6          | 129,7          |
| Unrestricted equity                 | 145,6          | 173,1          | 146,0          |
| <b>Total equity</b>                 | <b>275,3</b>   | <b>301,7</b>   | <b>275,7</b>   |
| <b>Non-current liabilities</b>      | <b>110,0</b>   | <b>120,0</b>   | <b>110,0</b>   |
| <b>Other current liabilities</b>    | <b>115,4</b>   | <b>67,9</b>    | <b>136,5</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>500,7</b>   | <b>489,5</b>   | <b>522,2</b>   |

# NOTES

## Note 1 Accounting principles

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2018 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU.

The information on pages 1 –8 relating to the part of the year covered by this interim report constitutes an integral part of this financial report.

## Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 7.4 MSEK (0.3) at the end of the period while financial liabilities at fair value amounted to 8.4 MSEK (6.4).

The fair values of financial instruments are determined using valuation techniques. Market information is used as far as possible when available, while company-specific information is used as little as possible. If all key inputs required for the fair value measurement of an instrument are observable, the instrument is categorised in level 2.

## Note 3 Business segments

Balco reports the following segments:

- **Renovation:** includes replacement and expansion of existing balconies and installation of new balconies on apartment buildings without balconies. The segment's main market driver is the age profile of the residential property portfolio.
- **New Build:** includes installation of balconies in conjunction with the construction of apartment buildings and balcony solutions in the maritime area. The segment is driven mainly by the rate of new residential construction. The balcony solutions in the New Build segment have a lower average cost than those in Renovation. This is because the segment consists largely of open balconies, which have a lower per unit cost than glazed balconies.

| MSEK                           | Jan-Mar      |              | Renovation  |             | New Build   |             | Group Other |             | Eliminations |          | Total        |              |
|--------------------------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|----------|--------------|--------------|
|                                | 2020         | 2019         | 2020        | 2019        | 2020        | 2019        | 2020        | 2019        | 2020         | 2019     | 2020         | 2019         |
| Net sales – External revenue   | 281,6        | 224,7        | 39,6        | 45,2        | -           | -           | -           | -           | -            | -        | 321,2        | 269,9        |
| Net sales – Internal revenue   | -            | -            | -           | -           | 5,6         | 3,9         | -5,6        | -3,9        | -            | -        | -            | -            |
| <b>Total sales</b>             | <b>281,6</b> | <b>224,7</b> | <b>39,6</b> | <b>45,2</b> | <b>5,6</b>  | <b>3,9</b>  | <b>-5,6</b> | <b>-3,9</b> | <b>-</b>     | <b>-</b> | <b>321,2</b> | <b>269,9</b> |
| <b>Operating profit (EBIT)</b> | <b>31,7</b>  | <b>24,5</b>  | <b>2,9</b>  | <b>3,4</b>  | <b>-0,4</b> | <b>-0,8</b> | <b>-</b>    | <b>-</b>    | <b>-</b>     | <b>-</b> | <b>34,2</b>  | <b>27,0</b>  |
| Depreciation included with     | 8,1          | 7,3          | 1,2         | 1,2         | -           | -           | -           | -           | -            | -        | 9,3          | 8,5          |
| <b>Operating profit (EBIT)</b> | <b>31,7</b>  | <b>24,5</b>  | <b>2,9</b>  | <b>3,4</b>  | <b>-0,4</b> | <b>-0,8</b> | <b>-</b>    | <b>-</b>    | <b>-</b>     | <b>-</b> | <b>34,2</b>  | <b>27,0</b>  |
| Finance income                 | -            | -            | -           | -           | 0,1         | 0,1         | -           | -           | -            | -        | 0,1          | 0,1          |
| Finance cost                   | -            | -            | -           | -           | -2,3        | -1,9        | -           | -           | -            | -        | -2,3         | -1,9         |
| <b>Profit before tax</b>       | <b>31,7</b>  | <b>24,5</b>  | <b>2,9</b>  | <b>3,4</b>  | <b>-2,6</b> | <b>-2,7</b> | <b>-</b>    | <b>-</b>    | <b>-</b>     | <b>-</b> | <b>32,0</b>  | <b>25,2</b>  |

## Note 4 Earnings per share

| MSEK  | Jan-Mar     |             | Apr-Mar      | Jan-Dec      |
|---|-------------|-------------|--------------|--------------|
|   | 2020        | 2019        | 2019/20      | 2019         |
| <b>Net profit for the period attributable to the owners of the parent company</b> | <b>26,5</b> | <b>21,1</b> | <b>108,5</b> | <b>103,0</b> |
| Average number of common shares, 000'   | 21 623,3    | 21 428,8    | 21 509,8     | 21 461,2     |
| Earnings per common share, SEK, before dilution                                   | 1,23        | 0,98        | 5,04         | 4,81         |
| Earnings per common share, SEK, after dilution                                    | 1,23        | 0,98        | 5,04         | 4,76         |

## Note 5 Reconciliation with IFRS financial statements

Balco's financial statements include alternative performance measures, which complement the measures that are defined or specified in applicable rules for financial reporting. Alternative performance measures are presented since, as in their context, they provide clearer or more in-depth information than the measures defined in applicable rules for financial reporting. The alternative performance measures are derived from the Company's consolidated financial reporting and are not measured in accordance with IFRS.

| MSEK   | Jan-Mar<br>2020 | 2019           | Apr-Mar<br>2019/20 | Jan-Dec<br>2019 |
|--|-----------------|----------------|--------------------|-----------------|
| <b>Adjusted operating profit</b>                         |                 |                |                    |                 |
| Operating profit   | 34,2            | 27,0           | 147,6              | 140,4           |
| Other non-recurring items                                | -               | -              | -                  | -               |
| <b>Adjusted operating profit</b>                         | <b>34,2</b>     | <b>27,0</b>    | <b>147,6</b>       | <b>140,4</b>    |
| <b>Adjusted EBITDA</b>                                   |                 |                |                    |                 |
| Operating profit   | 34,2            | 27,0           | 147,6              | 140,4           |
| Depreciation   | 9,3             | 8,5            | 37,4               | 36,5            |
| Other non-recurring items                                | -               | -              | -                  | -               |
| <b>Adjusted EBITDA</b>                                   | <b>43,6</b>     | <b>35,5</b>    | <b>185,0</b>       | <b>176,9</b>    |
| <b>Operating cash flow</b>                               |                 |                |                    |                 |
| Adjusted EBITDA  | 43,6            | 35,5           | 185,0              | 176,9           |
| Changes in working capital                               | -34,6           | -41,3          | -31,0              | -37,7           |
| Investments in other non-current assets, net             | -4,2            | -1,9           | -7,6               | -5,3            |
| <b>Operating cash flow</b>                               | <b>4,8</b>      | <b>-7,7</b>    | <b>146,4</b>       | <b>133,9</b>    |
| MSEK   | 31-mar<br>2020  | 31-mar<br>2019 | 31-dec<br>2019     |                 |
| <b>External interest-bearing net deb</b>                 |                 |                |                    |                 |
| External non-current interest-bearing liabilities        | 239,6           | 269,6          | 250,3              |                 |
| Current interest-bearing liabilities                     | 28,2            | 21,5           | 31,1               |                 |
| Cash and cash equivalents                                | -96,1           | -47,0          | -119,4             |                 |
| <b>Interest-bearing net debt</b>                         | <b>171,8</b>    | <b>244,1</b>   | <b>161,9</b>       |                 |
| <b>Adjusted EBITDA (12 months)</b>                       | <b>185,0</b>    | <b>149,2</b>   | <b>176,9</b>       |                 |
| <b>Interest-bearing net debt/EBITDA 12 months, times</b> | <b>0,9 x</b>    | <b>1,6 x</b>   | <b>0,9 x</b>       |                 |
| <b>Return on capital employed</b>                        |                 |                |                    |                 |
| Equity   | 541,1           | 462,6          | 514,5              |                 |
| External interest-bearing net debt                       | 171,8           | 244,1          | 161,9              |                 |
| Average capital employed                                 | 709,8           | 621,2          | 655,8              |                 |
| Adjusted operating profit (EBIT), (12 months)            | 147,6           | 125,2          | 140,4              |                 |
| <b>Return on capital employed, %</b>                     | <b>20,8</b>     | <b>20,2</b>    | <b>21,4</b>        |                 |
| <b>Equity/assets ratio</b>                               |                 |                |                    |                 |
| Equity attributable to owners of the parent company      | 541,1           | 462,6          | 514,5              |                 |
| Total assets   | 1 174,5         | 1 067,0        | 1 105,9            |                 |
| <b>Equity/assets ratio, %</b>                            | <b>46,1</b>     | <b>43,4</b>    | <b>46,5</b>        |                 |



# ALTERNATIVE PERFORMANCE MEASURES

This interim report contains references to a number of performance measures. Some of these measures are defined in IFRS, while others are alternative measures and are not reported in accordance with applicable financial reporting frameworks or other legislation. The measures are used by Balco to help both investors and management to analyse its operations. The measures used in this interim report are described below, together with definitions and the reason for their use.

| Alternative performance measures                                      | Definition  | Reason for use   |
|---|---|--|
| <b>Return on equity</b>   | Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.              | Return on equity shows the return that is generated on the shareholders' capital that is invested in the Company.  |
| <b>Return on capital employed</b>                                     | Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, see note 5.        | Return on capital employed shows the return that is generated on capital employed by the Company, and is used by Balco to monitor profitability as it relates to the capital efficiency of the Company.  |
| <b>Return on capital employed excluding goodwill</b>                  | Adjusted EBIT as a percentage of average capital employed for the period excluding goodwill. Average calculated as the average of the opening balance and the closing balance for the period. | Balco believes that return on capital employed excluding goodwill together with return on capital employed shows a complete picture of Balco's capital efficiency.   |
| <b>Gross income</b>   | Revenue less production and project costs.  | Shows the effectiveness of Balco's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.   |
| <b>Gross margin</b>   | Gross income as a percentage of net sales.  | Ratio is used for analysis of the Company's effectiveness and profitability.   |
| <b>EBITDA</b>   | Earnings before interest, tax, depreciation and amortisation.   | Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.  |
| <b>External interest-bearing net debt</b>                             | Interest-bearing net Debt excluding the Shareholder Loan. For a reconciliation of Net Debt for the periods, see note 5.   | Balco believes that external interest-bearing net debt is a useful measure for showing the Company's total external debt financing.  |
| <b>External interest-bearing net debt relative to adjusted EBITDA</b> | Interest-bearing external net debt divided by adjusted EBITDA.  | Balco believes this ratio helps to show financial risk and is a useful measure for Balco to monitor the level of the Company's indebtedness.   |
| <b>Adjusted EBITDA</b>  | EBITDA as adjusted for items affecting comparability. For a reconciliation of Adjusted EBITDA to income for the period, see note 5.   | Balco believes that adjusted EBITDA is a useful measure for showing the Company's profit generated by the operating activities after adjusting for non-recurring items, and primarily uses adjusted EBITDA for purposes of calculating the Company's operating cash flow and cash conversion.                                    |
| <b>Adjusted EBITDA margin</b>   | Adjusted EBITDA as a percentage of net sales.   | Balco believes that adjusted EBITDA margin is a useful measure for showing the Company's profit generated by the operating activities after non-recurring items.   |
| <b>Adjusted EBIT margin</b>   | Adjusted EBIT as a percentage of net sales.   | Balco believes that adjusted EBIT Margin is a useful measure for showing the Company's profit generated by the operating activities.   |
| <b>Adjusted EBIT</b>  | EBIT adjusted for items affecting comparability. For a reconciliation of Adjusted EBIT to income for the period, see note 5.  | Balco believes that adjusted EBIT is a useful measure for showing the Company's profit generated by the operating activities, and primarily uses adjusted EBIT for calculating the Company's return on capital employed, which is used by Balco to monitor profitability as it relates to the capital efficiency of the Company. |
| <b>Operating cash flow</b>  | Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments, see note 5.  | Operating cash flow is used by Balco to monitor business performance.  |
| <b>Interest-bearing net debt</b>                                      | The sum of shareholder loan, non-current interest-bearing liabilities and current interest-bearing liabilities. For a reconciliation of net debt for the periods, see note 5.                 | Balco believes interest-bearing net debt is a useful measure to show the Company's total debt financing.   |
| <b>Net working capital</b>  | Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities.  | This measure shows how much net working capital that is tied up in the operations and can be put in relation to sales to understand how effectively net working capital tied up in the operations is used.   |
| <b>EBIT margin</b>  | EBIT as a percentage of net sales.  | Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.   |

| Alternative performance measures           | Definition   | Reason for use  |
|--|--|---|
| <b>EBIT</b>                                | Earnings before interest and tax.  | Balco believes that EBIT shows the profit generated by the operating activities.  |
| <b>Equity/asset ratio</b>                  | Equity divided on total assets, see note 5.                                      | Balco believes that equity to asset ratio is a useful measure for the Company's survival.   |
| <b>Capital employed</b>                    | Equity plus interest-bearing net debt (external net debt plus shareholder loan). | Capital employed is used by Balco to indicate the general capital efficiency of the Company   |
| <b>Capital employed excluding goodwill</b> | Capital employed less goodwill.  | Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company |



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